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FM AMEMBASSY QUITO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7501  
INFO RUEHBO/AMEMBASSY BOGOTA PRIORITY 6787  
RUEHCV/AMEMBASSY CARACAS PRIORITY 2623  
RUEHLP/AMEMBASSY LA PAZ AUG 0667  
RUEHPE/AMEMBASSY LIMA PRIORITY 1811  
RUEHGL/AMCONSUL GUAYAQUIL PRIORITY 2610  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS QUITO 001768

SIPDIS

SENSITIVE  
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TREASURY FOR MMALLOY AND MEWENS

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [EFIS](#) [SENV](#) [EC](#)  
SUBJECT: ECUADOR ECON WEEKLY: INTEREST RATES, ECONOMIC GROWTH,  
SHARK FIN TRADE

REF. A: QUITO 1655

B: QUITO 1680

¶1. (U) The following is the beginning of a weekly Ecuador economic update that reports notable developments that are not reported by individual cables.

#### Central Bank Establishes Interim Interest Rates

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¶2. (U) The new banking law, which establishes new guidelines for maximum lending rates (reftel a), entered into force on July 18. Most banks were unwilling to approve new loans until the Central Bank announced the new official interest rates. On August 2 the Central Bank set transitional interest rates for August, until it can develop a more definitive methodology. The interest rates vary by sector, as established in the new law. The maximum rates are: for commercial loans, 22.5 percent; consumption loans, 32.27 percent; housing loans, 17.23 percent; and micro credit, 41.86 percent. These interest rates include all lending costs, since per the new law lenders are not permitted to charge any additional credit costs such as commissions. As a result, the new nominal maximum lending rates are higher than the previous maximum rate established by the Central Bank, although the effective rates have been reduced and are expected to go down further.

#### Lowered Economic Growth Forecast

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¶3. (U) The Central Bank of Ecuador reduced its growth rate projection for 2007, after the first quarter of 2007 grew only 0.08 percent over the prior quarter. Petroleum production fell more than 4 percent (and fell a whopping 14.5% since the first quarter of 2006), industrial production was basically flat (plus 0.4 percent), and other elements of the economy grew 2.3 percent.

¶4. (U) The new 2007 forecast anticipates that GDP will grow 3.4 percent this year, a significant drop from the previous forecast of 4.28 percent and, if realized, the lowest annual rate since 2001. The Central Bank expects government spending to pull the economy along, with strongest growth in construction and electricity generation. Falling petroleum production will be a drag on growth, agriculture and commerce are expected to grow at rates comparable to 2006, and manufacturing and banking are expected to slow down from the previous year.

#### Shark Fin Trade Reportedly Increasing Following Decree

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15. (U) Two weeks after President Correa issued a decree legalizing the sale of shark fins caught through incidental fishing (reftel b), the press reports that the number of sharks caught has increased. Fishermen are reportedly catching more shark and claiming they are all caught "incidentally;" environmentalists claim that fisherman are no longer afraid of the police. On August 1, the police, with the assistance of environmental NGO Sea Shepherd, confiscated two tons of shark fins taken from 365 sharks (the seizure was considered to be the result of commercial rather than incidental fishing, due to the large quantity) from three fishermen's houses in Manta. The event created conflict between the fishermen and the police, with one local calling for the revocation of Sea Shepherd's Country Director (amCit) Sean O'Hearn's visa. Eventually the two tons of shark fins were returned to the fishermen, and no penal action was taken against them. (On August 4, immigration authorities detained O'Hearn and scheduled his immediate deportation. Minister of Government Larrea later overturned the action. More details septel.)

BROWN